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FOR IMMEDIATE RELEASE

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NH SECURITIES BUREAU TAKES ACTION AGAINST UBS **Regulatory Action Focused on Student Loan Market**

Concord, NH (August 14, 2008) – The New Hampshire Bureau of Securities Regulation, a division of the Secretary of State's Office, announced today that it is taking action against UBS Securities, LLC for fraud. The action relates to UBS's representation of the New Hampshire Higher Education Loan Corporation (NHHELCO) in the sale of bonds used to finance loans to New Hampshire college students and their parents. The Bureau also alleges that UBS engaged in dishonest and unethical business practices and violated its fiduciary duty as underwriter, investment banker, and broker-dealer for NHHELCO. The action is the result of an ongoing investigation of UBS by the Bureau.

New Hampshire has been part of a continuing investigation into fraud in the auction rate securities market, along with other state securities regulators and the Securities and Exchange Commission. After investigating UBS, state and federal regulators reached a global settlement with the firm on August 8th that addressed the concerns of purchasers of auction rate securities. However, the settlement did not address alleged fraud by UBS in its representation of nonprofit lenders that depended on the flow of money from auction rate securities to fund loan programs.

"The Bureau supports last week's settlement on behalf of retail investors in auction rate securities. We believe that getting investors relief now is the right thing to do," Mark

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Connolly, Director of Securities Regulation said. "By this action today, New Hampshire is one of the first states to focus on the consequences of failed auction markets to other parties besides investors, specifically regarding students. It is crucial for us to address issues that could impact New Hampshire in a particularly severe way. Our goal with this action is to uncompromisingly enforce the securities laws to ensure that everyone is treated fairly in the wake of a failed process to bring these securities to market. We also believe that this action will go a long way in restoring fairness and liquidity to the market for auction rate securities across the country."

In the cease-and-desist order issued as part of today's action, the Bureau states that UBS knew that the market for these bonds, known as auction rate securities, was on the verge of collapse. At the same time, UBS was actively encouraging NHHELCO to extend its commitment to the sale of these bonds. In addition, during this period UBS was actively considering withdrawing its own holdings in this market while advising NHHELCO to stay in. The market for auction rate securities collapsed in February 2008 due in part to the failure of UBS and other investment bankers to support the market as they had consistently done in the past.

"A critical question in our investigation was whether UBS fully disclosed its knowledge of the impending collapse of the auction rate securities market to NHHELCO. Our investigation revealed that UBS had knowledge that a market collapse was looming but did not disclose that information to NHHELCO," explained Jeff Spill, Deputy Director of Securities Regulation for Enforcement. "Furthermore, UBS failed to inform NHHELCO it was pulling out of and would no longer be supporting the market, as it had done in the past. We believe that UBS failed in its duty of loyalty to NHHELCO, which relied on this financing mechanism to fund loans to students and parents."

Auction rate securities are highly complex investment products. They are essentially bonds whose interest rates are reset at auction frequently. The market for auction rate securities failed in February, leaving investors holding investments they could not sell

and issuers of the securities without the financing they depend on. The market for these securities is now essentially non-existent.

UBS acted as underwriter, investment banker, and broker-dealer for NHHELCO in the offering of the nonprofit's auction rate securities. In these various roles, UBS not only represented NHHELCO in the sale of the securities, it had also acted consistently for years to prop up the market for auction rate securities by buying the investments when other investors were staying out of the market. In February, UBS and several other leading investment banks decided that they would no longer support the market.

NHHELCO provided loans to nearly 50,000 students in New Hampshire in 2007. The collapse of the market for these securities has eliminated \$66.5 million from the amounts which normally would be available to finance student loans. As a result, many students who rely on these loans are facing severe difficulties financing their education or must now seek more expensive or restrictive alternative loans. All of this comes at a particularly difficult time with the beginning of the academic year just around the corner for college students.